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SUBJECT: MINISTER OF OIL SHAHRASTANI'S TRIP TO MOSCOW

REF: USUN NEW YORK 642

Classified By: Economic Minister Charles P. Ries for reasons 1.4 (b) and (d)

¶1. (C) EMIN telephoned Minister of Oil Shahrastani August 6 to ask him what his objectives would be on a trip the press is reporting he would be taking to Moscow August 7-10. Despite a bad mobile phone connection, Shahrastani explained that he will now first accompany the Prime Minister to Turkey August 7 and then continue to Moscow later in the week. Shahrastani said he expected the Russians to use the occasion of his visit to "announce" their intention to offer Iraq debt relief on Paris Club terms, even though he is not the responsible minister and Minister of Finance Bayan Jabr is on standby expecting to travel to Russia soon to finalize the debt relief package. Shahrastani said that the Russians want, likely for domestic political reasons, to announce the debt relief in the context of a discussion of oil exploration in Iraq.

¶2. (C) On oil exploration, Shahrastani assured EMIN that he will tell the Russian Government and Russian oil companies that he would "encourage" Russian companies to bid on projects in partnership with the Iraqi National Oil Company or to develop acreage that may be released for production sharing agreements (PSA's). But he promised to be clear to the Russians that all project awards would be tendered in accordance with international standards and that no promises of success could be made. On the Saddam-era contracts, Shahrastani said he planned to be clear to the Russians that they would not be valid.

¶3. (C) Comment: We expect Shahrastani told us what he knew we wanted to hear on the objectivity with which Iraq would promise to award future oil opportunities, but he clearly noted our interest in calling and it may make him more cautious in promising the Russians an inside track. On debt relief, the Russians have been sending signals for some time that they are ready to settle, and a visit by the Iraqi Minister of Oil provides good cover to do so, which is no doubt why the Russians have invited him.

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